

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

INR-10 NSAE-00 RSC-01 FAA-00 PM-07 H-03 L-03 NSC-10

PA-04 PRS-01 SPC-03 SS-20 USIA-15 ACDA-19 IO-14

DOTE-00 TRSE-00 DRC-01 /157 W
----- 082014

R 091851Z NOV 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8654

INFO USMISSION BERLIN

AMEMBASSY LONDON

AMEMBASSY PARIS

C O N F I D E N T I A L BONN 16313

E.O. 11652: GDS

TAGS: ETRN, WB, GW, UK, US

SUBJECT: CIVAIR - IGS FARE INCREASE PROPOSALS

REF: A. STATE 217090; B. 15977

SUMMARY: DESPITE EXTENSIVE DISCUSSIONS BETWEEN EMBASSY'S CAA AND UK REPS, BRITISH POSITION RE 10 PERCENT FARE INCREASE REMAINED FIRM TO THE EXTENT BRITISH MIGHT CONSIDER MAKING A SEPARATE FARE PRESENTATION TO THE FRG. ONLY REMAINING COURSE OF ACTION APPEARS TO BE SOUNDING OUT PAN AM RE EFFECT OF 10 PERCENT FARE INCREASE ON ITS OPERATIONS IN AN EFFORT TO EXPLORE WHETHER A JOINT ALLIED FARE PRESENTATION AT OR VERY CLOSE TO THE 10 PERCENT LEVEL WOULD BE FEASIBLE OR DESIRABLE. ACTION REQUESTED: DEPARTMENT'S VIEWS ON APPROACHING PAN AM HERE AND IN WASHINGTON WOULD BE APPRECIATED. END SUMMARY.

1. DURING EXTENDED DISCUSSION NOVEMBER 8 BETWEEN EMBASSY CAA AND UK REPRESENTATIVE CULLIMORE, ACTING
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BRITISH EMBASSY CAA AND GARDNER (UK CIVIL AVIATION

AUTHORITY) ON BEA AND PAN AM IGS FARE INCREASE PROPOSALS, NO PROGRESS WAS MADE TOWARD RECONCILING DIFFERENCES BETWEEN THE TWO PROPOSALS. UK POSITION IS THAT BEA PROPOSAL FOR A 10 PERCENT INCREASE (TO THE CARRIER) HAS BEEN EXAMINED IN DETAIL BY RESPONSIBLE US AVIATION AUTHORITIES AND IS SOUND AND JUSTIFIED. GARDNER NOTED BEA'S VIEW THAT AN INCREASE OF 13 PERCENT WOULD REALLY BE DESIRABLE, BUT THAT IT MIGHT DIVERT A LARGE NUMBER OF PASSENGERS TO SURFACE TRANSPORT. TEN PERCENT WOULD NOT HAVE EXCESSIVE DIVERSIONARY EFFECTS AND IN BEA'S VIEW, WAS THE MAXIMUM FARE INCREASE POSSIBLE UNDER PRESENT MARKET CONDITIONS. ALTHOUGH WE PROBED AT LENGTH, THERE APPEARS TO BE NO FLEXIBILITY IN THE UK POSITION, AND TO UNDERScore THIS POINT, IN FACT, SEEMED TO BE THE MAIN PURPOSE OF GARDNER'S TRIP TO BONN. CULLIMORE SAID THAT THE UK, IF NECESSARY, WOULD GO SO FAR AS TO MAKE A SEPARATE PRESENTATION TO THE FRG ON A 10 PERCENT LEVEL INCREASE.

2. WHILE BOTH SIDES SOUGHT TO LIMIT THE DISCUSSION TO THE FARE PROPOSALS ALONE, SOME REFERENCE TO THE BROADER QUESTION OF BEA'S CONTINUED PARTICIPATION IN THE IGS WAS INEVITABLE. GARDNER AND CULLIMORE SAID THE UK POSITION AS STATED IN WASHINGTON REMAINED UNCHANGED; THAT NOT ONLY A 10 PERCENT FARE INCREASE, BUT FURTHER RATIONALIZATION AND SOME INCREASE IN SUBSIDIES PAID BY THE FRG WOULD BE REQUIRED IF BEA WERE TO RETAIN ITS CURRENT LEVEL OF PARTICIPATION IN THE IGS. (GARDNER OBSERVED THAT BY RATIONALIZATION, THE BRITISH HAD IN MIND A REDUCTION OF SCHEDULES OF AN ORDER WHICH WOULD PERMIT THE WITHDRAWAL BY EACH CARRIER OF TWO AIRCRAFT FROM THE IGS.) EMBASSY CAA SAID THAT HE ALSO COULD NOT ADD TO WHAT THE US REPS HAD SAID IN WASHINGTON. HIS PRESENT INSTRUCTIONS CONCERNED ONLY THE FARE PROPOSALS AND THE POSSIBILITY OF THE CAA'S PRESENTING A JOINT RECOMMENDATION FOR AN INCREASE.

3. COMMENT: IN VIEW OF THE HARD POSITION TAKEN BY THE UK ON THE 10 PERCENT INCREASE, EMBASSY WOULD APPRECIATE GUIDANCE FROM THE DEPARTMENT BEFORE PROCEEDING FURTHER.
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WE COULD GO ON HERE TO AN EXAMINATION IN DEPTH OF ALL OF THE FIGURES IN THE UK PRESENTATION, BUT ON THE BASIS OF WHAT THEY SAID HERE, AS WELL AS IN WASHINGTON, WE HAVE NO EXPECTATIONS THAT THE BRITISH WILL BUY A FARE PROPOSAL OF LESS THAN 10 PERCENT. AS A NEXT STEP, WOULD THE DEPARTMENT HAVE OBJECTIONS TO SOUNDING OUT PAN AM HERE, AND PERHAPS IN WASHINGTON AS WELL, ON THE EFFECTS OF A 10 PERCENT FARE INCREASE ON PAN AM'S OPERATIONS.

A JOINT RECOMMENDATION AT, OR VERY CLOSE TO THE 10
PERCENT LEVEL MIGHT BE FEASIBLE. ACTION
REQUESTED: THE DEPARTMENT'S VIEWS ON THIS SUGGESTION
WOULD BE APPRECIATED.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AVIATION AGREEMENTS, AIR FARES
Control Number: n/a
Copy: SINGLE
Draft Date: 09 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BONN16313
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731145/aaaabgui.tel
Line Count: 120
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: A. STATE 217090; B. 15977
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 22 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22-Aug-2001 by martinml>; APPROVED <24-Sep-2001 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CIVAIR - IGS FARE INCREASE PROPOSALS
TAGS: ETRN, WB, GE, UK, US, PANAM
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005